

Service Date: January 22, 1993

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application)	
Of the Regulated Members of TELE-)	UTILITY DIVISION
PHONE EXCHANGE CARRIERS OF MONTANA)		DOCKET NO. 92.12.79
(TECOM) For Authority to Decrease Rates for)	ORDER NO. 5685
Intrastate Access Services.		

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INTERIM ORDER

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FINDINGS OF FACT

1. On December 17, 1992, the regulated members of the Telephone Exchange Carriers of Montana (TECOM), consisting of Lincoln Telephone Company, Project Telephone Company, and Southern Montana Telephone Company, (Applicants), filed an application with the Montana Public Service Commission (Commission) for authority to decrease rates for intrastate carrier access services.
2. Applicants, as well as the unregulated members of TECOM, recover their costs of providing access to the local networks for origination and completion of interexchange long distance calls by imposing access charges on the interexchange carriers who utilize those services. Applicants' access service costs have been established using FCC Part 36 and 69 cost studies. Applicants' current access charge rates are based upon 1988 Part 36 and 69 cost studies.
3. In Docket No. 89.11.41, Order No. 5434a, the Commission approved a stipulation

between TECOM and U S West Communications. The stipulation resulted in frozen rates for a three-year period ending January 15, 1993. In addition to the frozen rates, a carrier credit was implemented. The carrier credit for 1992 is \$500,000, and expires on January 16, 1993. Without a rate reduction, TECOM would receive an effective rate increase on that date. TECOM does not support a rate increase at this time, and in fact supports a rate decrease.

4. TECOM's current revenues, with the \$500,000 carrier access charge credit applied, are as follows (using 1991 access minutes)

Rate Element	Access Minutes	Current Rates	Current Revenues
Common Line	136,136,548	\$.0354	\$ 4,819,234
End Office	136,617,617	.0352	4,808,940
Local Transport	136,617,617	.0310	4,235,146
Carrier Credit			<u>(500,000)</u>
Total		<u>\$.1016</u>	<u>13,363,320</u>

TECOM's current aggregate access charge is \$.1016 per minute as shown above, but their currently effective aggregate access charge is approximately \$.098 per minute (\$13,363,320 in revenues which reflects the \$500,000 carrier credit divided by 136,617,617 access minutes). TECOM proposes to reduce this effective aggregate rate by approximately \$.005 per minute.

TECOM proposes to reduce their aggregate carrier access rate (currently \$.1016 per minute) by \$.0086 per minute, which would result in a new aggregate carrier access rate of \$.093 per minute. This reduces the currently effective aggregate access charge, which reflects the \$500,000 carrier credit, of \$.098 per minute by \$.005.

Due to recent changes in the FCC allocation methodology for switching costs, TECOM proposes to apply the \$.0086 per minute reduction entirely to the end office rate element. The proposed rates and revenues are as follows:

Rate Element	Access Minutes	Proposed Rates	Proposed Revenues
Common Line	136,136,548	\$.0354	\$4,819,234
End Office	36,617,617	.0266	3,634,029
Local Transport	136,617,617	<u>.0310</u>	<u>4,235,146</u>
Total		<u>\$.0930</u>	<u>\$12,688,409</u>

This change in the end office rate element, along with the expiration of the carrier credit will result in an annual revenue reduction (using 1991 access minutes) of \$674,911 as follows:

Rate Element	1991 Minutes	Current Revenues	Proposed Revenues	Increase! Decrease
Common Line	136,136,548	\$ 4,819,234	\$ 4,819,234	\$ 0
End Office	136,617,617	4,808,940	3,634,029	(1,174,911)
L. Transport	136,617,617	4,235,146	4,235,146	0
Carrier Credit		<u>(500,000)</u>	<u>0</u>	<u>500,000</u>
Total		\$13,363,320	\$12,688,409	(\$674, 911)

5. TECOM did not provide updated cost studies to support their proposed rate decrease. TECOM does not believe such studies are appropriate at this time due to several anticipated events in 1993 that may cause significant changes to cost allocations, total costs, and traffic measurement. The Federal Communications Commission (FCC) is reviewing several key allocation factors used in Part 36 separations procedures. TECOM believes a change in these procedures could have substantial impacts on intrastate costs.

TECOM also acknowledges that increased costs will result from several large TECOM members cutting over to Signaling System 7 (SS7) control systems in 1993, coupled with '800 database service (implementation of portable 800 numbers). TECOM also anticipates negative impacts if several proposals to increase state taxes are approved. TECOM believes it is appropriate to wait for the outcome of these events before incurring the costs of detailed carrier access cost studies.

6. Since the Commission was not supplied with any cost data to support the proposed rate decrease, whether or not the proposed rates exceed the relevant marginal costs is unclear.

TECOM anticipates negative earnings impacts due to this rate decrease, but maintains that they have experienced, and expect to continue to experience some growth in demand which will mitigate any negative earnings from the reduced rates.

DECISION

The Commission finds that, pending full consideration of this application, it is reasonable to implement this rate reduction on an interim basis.

CONCLUSIONS OF LAW

1. The Applicants, Lincoln Telephone Company, Project Telephone Company, and Southern Montana Telephone Company, are corporations providing regulated telecommunications services within the State of Montana and, as such, are public utilities within the meaning of Section 69-3-101, MCA.
2. The Montana Public Service Commission is properly exercising jurisdiction in this Docket pursuant to Applicants request under Sections 69-3-302 and 69-3-304, MCA.
3. Section 69-3-304, MCA, provides in part, "the commission may, in its discretion, temporarily approve increases or decreases pending a hearing or final decision."
4. The rates approved herein are a reasonable means of providing interim relief to Applicants. The rebate and surcharge provisions of 69-3-304, MCA, protect ratepayers in the event any revenue changes authorized by this Order are found to be unjustified in the final order in this Docket.

ORDER

1. Applicants request for a rate reduction is hereby GRANTED on an interim basis.
2. Interim rates approved herein shall be effective for services rendered on and after January 16, 1993.

DONE AND DATED this 11th day of January, 1993, in open session by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

BOB ANDERSON, Chairman

BOB ROWE, Vice Chairman

DAVE FISHER, Commissioner

NANCY McCAFFREE, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.